Financial Corporation Limited

2001 Annual Report

Financial Corporation Limited and subsidiary companies

The Year at a Glance

33rd Annual Report	2001	2000
Total Premiums	**$ 966,826,000**	$ 918,065,000
Total Revenues	**1,306,988,000**	1,267,189,000
Net Income (excluding investment gains)	**37,815,000**	30,491,000
Net Income (including investment gains)	**77,480,000**	73,389,000
Total Assets (including segregated funds)	**6,385,555,000**	6,253,408,000
Shareholders' Equity	**1,250,974,000**	1,139,691,000
Net Income (excluding investment gains) per Share	**9.85**	7.94
Net Income (including investment gains) per Share	**20.17**	19.11

Note: Per share earnings figures assume full conversion of the Company's convertible preference shares.

Annual Meeting of Shareholders

The Annual Meeting of Shareholders will be held at 11:45 a.m. Toronto time on Wednesday, May 1, 2002 at the Company's head office, 165 University Avenue, Toronto. All shareholders are invited to attend.

Head Office	Tenth Floor, 165 University Avenue, Toronto, Ontario
Shares Listed	Toronto Stock Exchange
Auditors	Deloitte & Touche LLP
Transfer Agent and Registrar	Computershare Trust Company of Canada

E-L Financial Corporation Limited and subsidiary companies

Board of Directors

J. Christopher Barron,
Chairman, Scotia Cassels Investment Counsel Limited

Paul G. S. Cantor,
Managing Director, Russell Reynolds Associates

George L. Cooke, LL.D.,
President and Chief Executive Officer, The Dominion of Canada General Insurance Company

William J. Corcoran, LL.B.,
Vice-Chairman, Jarislowsky Fraser Limited

E. Kendall Cork,
Managing Director, Sentinel Associates Limited

Douglas G. Hogeboom, F.S.A., F.C.I.A.,
President and Chief Executive Officer, The Empire Life Insurance Company

Duncan N.R. Jackman,
Managing Director, The Fulcrum Investment Company Limited

The Honourable Henry N.R. Jackman,
Chairman and President, E-L Financial Corporation Limited

J. Alex. Langford, Q.C.,
Barrister and Solicitor

James W. McCutcheon, Q.C.,
Counsel, McCarthy Tétrault

Christopher H. McElvaine, F.S.A., F.C.I.A.,
Corporate Director

Clive P. Rowe,
Partner, SLS Capital

Douglas C. Townsend, F.S.A., F.C.I.A.,
President, Townsend Actuarial Consulting Ltd.

Manon R. Vennat, C.M.,
Chairman, Montreal, Spencer Stuart & Associates (Canada) Ltd.

Honorary Directors

Peter S. Gooderham,
Corporate Director

The Right Honourable John N. Turner, P.C., C.C., Q.C.,
Partner, Miller Thomson

Officers

Chairman and President
The Honourable Henry N.R. Jackman

Vice-Chairman
E. Kendall Cork

Executive Vice-Presidents

Douglas G. Hogeboom
President and Chief Executive Officer
The Empire Life Insurance Company

George L. Cooke
President and Chief Executive Officer
The Dominion of Canada General Insurance Company

Vice-President, Finance and Secretary
Mark M. Taylor

Management's Discussion and Analysis
Report on E-L Financial Corporation Limited

E-L Financial Corporation Limited (the Company) operates as an investment holding company. It owns 100% of The Dominion of Canada General Insurance Company and 80% of The Empire Life Insurance Company. The Company also owns an investment portfolio.

Overview of Results

The consolidated financial statements that follow reflect the results and financial position of the two insurance companies and the Company's portfolio investments. Additional information is provided in the notes to the financial statements.

For the year ended December 31, 2001, net income before investment gains totalled $37.8 million or $9.85 per share compared with $30.5 million or $7.94 per share for the previous year.

If investment gains are included, net income for 2001 was $77.5 million or $20.17 per share compared with $73.4 million or $19.11 per share in 2000.

The following table summarizes the results of the Company's business segments.

2001
(thousands of dollars)

	Portfolio Investments		General Insurance		Life Insurance		Total	
	2001	2000	**2001**	2000	**2001**	2000	**2001**	2000
Net income:								
Income excluding undernoted	**$ 8,878**	$9,616	**$12,555**	$ 436	**$16,382**	$20,439	**$37,815**	$30,491
Amortization of investment gains and losses	**—**	—	**—**	—	**13,259**	11,633	**13,259**	11,633
Gain (loss) on sale of investments	**2,508**	(974)	**23,898**	32,239	**—**	—	**26,406**	31,265
	$11,386	$8,642	**$36,453**	$32,675	**$29,641**	$32,072	**$77,480**	$73,389

The Company's strategy is to accumulate wealth within each of its investee companies. The Company manages its investments through representation on the boards of directors of the two insurance subsidiaries and of the investment companies in which the Company has shareholdings.

The Company manages a portfolio of publicly traded fixed income and equity securities both directly and indirectly through a number of closed-end investment fund corporations and other investment companies. The Company's primary objective is to accumulate shareholder value through long term appreciation in its equity holdings and through a combination of stable earnings and capital growth in its bond portfolio.

Report on E-L Financial Corporation Limited (cont'd)

The Company's portfolio investments are carried at market value on the balance sheet. The difference between the market value and cost of these investments, net of relevant future income taxes, is recorded as unrealized appreciation of portfolio investments.

In 2001, the unrealized appreciation in the Company's portfolio investments increased $51.7 million (2000 - $61.6 million) or approximately 9.3% (2000 - 13.7%) of the market value of the investment portfolio. The majority of the unrealized appreciation is related to the Company's investment in publicly traded closed-end investment fund corporations.

The results and financial position of the two insurance companies are further described in each of their management's discussion and analysis.

Outlook and Risks

The Company's future prospects are in part a function of the continued profitability of the two insurance company investees. Future prospects are also, in part, a function of the successful management of its investment portfolios in the face of ongoing changes in financial markets.

The insurance companies are federally regulated financial institutions and accordingly, their future prospects will be affected by future changes in legislation and regulation for the financial services sector. Further, these companies operate in competitive marketplaces that recently have experienced significant changes including consolidation, new entrants, increased price competition and lower investment yields. These factors are expected to continue in the foreseeable future. The insurance companies' future prospects will, in part, be a function of their ability to effectively manage their operations, including the pricing and distribution of their products. Future success will also be a function of continued focus on cost-containment, service enhancement, investment management performance, appropriate pricing strategies and effective use of technology. Risks relating to the Company's financial instruments are described further in the notes to the financial statements.

Mr. J. Christopher Barron and Mr. J. Alex Langford, who have reached retirement age, will not be standing for re-election in 2002. Their wise counsel and guidance will be missed and we extend our thanks and appreciation to them.

Management's Discussion and Analysis

Report on General Insurance Operations

Mr. George L. Cooke

The Dominion of Canada General Insurance Company ("The Dominion"), a wholly owned subsidiary of E-L Financial Corporation Limited, is licensed to underwrite property and casualty insurance in all jurisdictions in Canada. Its operations are concentrated in Ontario, Alberta, British Columbia and the Atlantic provinces. The Dominion's wholly-owned subsidiary, Chieftain Insurance Company ("Chieftain") commenced operations in October 1999 in Ontario only. The accompanying financial statements, and this management discussion and analysis, incorporate the consolidated results of The Dominion and Chieftain (collectively, the "Company"). On January 1, 2002, The Dominion and Chieftain amalgamated and continued under the name "The Dominion of Canada General Insurance Company," with Chieftain as an operating division.

Overview

Net income for the year ended December 31, 2001 was $36.5 million compared to $32.7 million in the prior year. Return on average equity was 10.2% in 2001 and 10.1% in 2000. The improvement reflects planned improvement in the underwriting results, partially offset by a reduced level of realized investment gains, which fluctuate unpredictably from year to year. Underwriting results, at a combined ratio (total expenses divided by premium income) of 106.4% in 2001 improved significantly from 109.9% in the prior year, and represents a $19.5 million improvement in the underwriting loss. The Five Year Financial Summary on page 35 of this report provides an overview of the results of the five-year period from 1997 to 2001.

In 2001, gross written premiums increased by 5.1% (6.2% in 2000). Growth in 2001 consisted of an increase in average premiums of 7.2% (4.1% in 2000) and a decrease in policies in force of 2.1% (increase of 2.1% in 2000). Premium rates were increased significantly in 2001. The reduction in policies in force was as expected, as a result of underwriting action and, in personal lines in particular, as a typical effect of rate increases that are at the lead of the market.

The Company distributes solely through independent brokers, being the channel that distributes the majority of property and casualty insurance products in Canada. Accordingly, the Company's success in the short-term is contingent on the ongoing success of brokers and on management's strategic foresight and ability to respond to threats to the broker distribution channel. The Company's continued growth in 2001 reflects the strong support of independent brokers who have worked hard to retain business despite premium rate increases.

Underwriting results by product line

The Company underwrites standard general insurance products through eight territories which are concentrated in four geographic areas. The geographic mix of premiums in 2001 is largely unchanged from the prior year and is as follows: Ontario 69%, Western region 15%, Atlantic provinces 9% and Pacific region 7%. Product mix is fairly consistent across the regions, except that Pacific region's business is mostly property, due to the government automobile plan in British Columbia. The loss ratio (claims divided by net earned premiums) is a key indicator of underwriting performance and management monitors loss ratios by product line for each of its regional centres.

The overall improvement in 2001 derives from rate increases and planned underwriting action. The frequency of automobile claims did increase again in 2001 for the third year in a row. Commercial lines yielded significant improvement, driving the overall decrease in the 2001 combined ratio.

Report on General Insurance Operations (cont'd)

Mr. George L. Cooke

The following table and commentary summarize the results of underwriting operations by major product category (dollar figures are in millions).

	Automobile		Personal Property		Commercial Property & Casualty		Total	
	2001	2000	**2001**	2000	**2001**	2000	**2001**	2000
Gross written premium	**$ 415**	$ 396	**$ 142**	$ 139	**$ 104**	$ 94	**$ 661**	$ 629
Growth	**4.8%**	7.2%	**2.2%**	3.0%	**10.8%**	6.6%	**5.1%**	6.2%
Mix of business	**63%**	63%	**22%**	22%	**15%**	15%	**100%**	100%
Net earned premium	**$ 403**	$ 381	**$ 133**	$ 129	**$ 90**	$ 84	**$ 626**	$ 594
Claims	**$ 323**	$ 311	**$ 92**	$ 91	**$ 56**	$ 58	**$ 471**	$ 460
Loss ratio %	**80.1**	81.6	**69.1**	70.2	**62.4**	69.3	**75.3**	77.5

Automobile

Growth of 4.8% was achieved from an 8.3% increase in average written premiums, as a result of rate increases, and a 3.5% decrease in policies in force, which reflects expected reduced retention that typically accompanies high rate increases. Commercial automobile improved significantly, but a slight deterioration in personal automobile, which is 81% of total automobile, offset the commercial improvement. Despite the large rate increases to date, the automobile loss ratio improved only slightly as a result of several factors. First, rate increases in written premiums are earned over the policy terms in net earned premium, which increased only 5.8% in 2001. Second, automobile claims cost inflation continues to be high, offsetting a large portion of earned rate increases. Third, automobile claims frequency for the Company increased for the third year in a row. In 2002, the cumulative effect of rate increases should produce an increase in earned premium in excess of claims inflation. As economic activity continues to slow in 2002, vehicle use and claims frequency are expected to decrease accordingly, providing for improvement in the loss ratio.

Personal property

2.2% growth was generated from an increase of 3.8% in average premiums and decrease of 1.6% in policies in force. A general increase in claims frequency in 2001 offset a reduced level of storm-related claims versus experience in 2000 (notably the severe rain in southern Ontario in May 2000). More rate increases in 2002 are expected to show more pronounced improvement.

Commercial property, casualty and surety

These coverages are generally sold together in package policies. 10.8% growth in these lines came from an average premium increase of 13.8% with policy counts decreasing 3.0%. The large decrease in the loss ratio reflects the significant increase in rates and the result of underwriting actions to improve the quality of the portfolio and to limit new business to superior underwriting risks. The Company was not exposed to losses arising from the World Trade Center terrorist attacks. The Company only underwrites moderate mainstream Canadian risks and does not, as a matter of policy and practice, write large office buildings or insure tenants of a politically or financially riskier profile.

Report on General Insurance Operations (cont'd)

Mr. George L. Cooke

Management of policy liabilities

The provision for unpaid and unreported claims is based on an actuarially determined provision for all costs of investigation and settlement of insurance losses occurring prior to year end. Many assumptions underlie these estimates such as claims frequency and severity, claims payment trends, inflation and interest rates, potential changes in legislation and the interpretation of liability by the courts. Ultimate costs incurred will inevitably vary from current estimates. During 2001, the ongoing actuarial re-evaluation of provisions for unpaid claims arising in prior years resulted in a $4.0 million reduction in those provisions, which is included as a reduction in claims expense in 2001. The Company continues to focus on careful selection of risks, adequate pricing, appropriate claims management practices and strong broker relationships as the key factors in maintaining favourable underwriting results.

The Company writes a significant amount of personal and commercial property business in British Columbia and, accordingly, is exposed to loss from a major earthquake. Management mitigates this exposure through strong underwriting guidelines, effective use of deductibles, adequate pricing, appropriate reinsurance coverage, and management of the broker force. The Company's financial preparedness for an earthquake, through its catastrophe reinsurance agreements and through its own capital, exceeds the federal regulator's requirements.

Expenses

The expense ratio (the sum of commissions, operating expenses and premium taxes, divided by premium income) of 31.1% in 2001 improved from 32.5% in 2000. The reduction was mainly derived from lower operating expenses which, as a percentage of premium income, decreased to 10.6% in 2001 from 11.7% in 2000. This decrease reflects reduced expenditures of $3.0 million, mainly with respect to information technology costs, and the positive effect of rate increases on premium income. The reduction in information technology expenses resulted from bringing back in-house, at a lower net cost, the Company's application maintenance work which was previously out-sourced to a consulting firm that decided to exit Canada.

The Company continues to make measured ongoing investments in technology within a disciplined budget. The main objectives are to improve brokers' "ease of doing business" with the Company, to improve access to decision-valuable information and to enhance operating efficiency. In 2001, a web-portal for brokers to directly access customer information from the Company's system was launched. This enables brokers and the Company to reduce the collective effort, cost and time in responding to customer inquiries and requests. A claims information data-mart was implemented in 2001. It provides more detailed claims information to assist field staff and brokers to pinpoint drivers of underwriting profit and loss and to better manage business mix and risk selection.

Investments

Investment income (interest and dividends) before income tax was $52.1 million in 2001, an increase of $2.0 million from the prior year. This increase reflects a lower investment yield of 4.8% in 2001 (2000 – 5.2%), but on a higher average portfolio balance. The average investment balance grew 2.1% in 2001 as a result of positive cash flow from operations and reinvestment of proceeds from realized gains.

Report on General Insurance Operations (cont'd)

Mr. George L. Cooke

Gain on sale of investments was $40.6 million in 2001 (before income taxes), compared to $53.4 million in the prior year. Realized gains and losses result from trading decisions which are made to maximize the ongoing economic return of the company's portfolios and, accordingly, do not follow a predictable pattern from year to year. Gains in the current and prior years were relatively high compared with historical norms. Included in gains in 2000 was the sale of an investment in land in downtown Toronto which generated a gain of $7.9 million.

Excluding cash, the investment portfolio mix at December 31, 2001 consisted of 53% bonds (2000 - 59%) and 42% stocks (2000 - 36%). The Company manages its investments to provide for the payment of policy liabilities and to provide a return on shareholder's equity. Policy liabilities are supported by fixed income investments, predominantly government bonds and some high quality corporate bonds. High quality preferred shares are also held because of their superior after-tax yields, since their dividends are fully deductible. Given the uncertainty in the quantum and timing of claims payments for property and casualty claims, strict asset and liability matching is neither feasible nor necessarily optimal. The Company manages the duration of its fixed income portfolio within a broad range, between 50% to 300% of the duration of claims liabilities, which for the Company is between three to four years. The Company has typically maintained its asset duration between 100% to 200% of the duration of its claims liabilities in order to pursue the higher yields which are usually available in the longer portion of a normal yield curve. At December 31, 2001, the fixed income duration of 4.6 years is 139% of the claims duration. Given the Company's significant mix of bonds and deliberate exposure to a longer asset duration, volatility in the financial markets, particularly in interest rates, can have a significant impact on the market value of the investment portfolio. The Company's fixed income investment managers proactively monitor market conditions and make adjustments in anticipation of significant changes. The Company's usual maturity profile also allows for ongoing liquidity to be maintained such that the Company can operate for some time with minimal need to liquidate securities and thus avoid realized losses from disposal at unfavourable market values.

Maintaining sufficient liquidity is essential to fund the ongoing payment of claims, including the increased requirements of a sudden catastrophe. Cash flow from premium collection and from interest and dividends is typically more than adequate for meeting claims payments. In addition, the Company's mix of bonds maturing within two years has averaged 18% of the fixed income portfolio, as at December 31, over the last five years (25% at December 31, 2001). The ability to more easily dispose of risk-free government bonds, which comprise the majority of the portfolio, provides additional liquidity if necessary.

The Company's common stocks and some fixed income securities are considered to be in support of shareholder capital and are therefore managed from a longer term perspective. Emphasis is on quality and capital appreciation for stocks and on quality and higher yields for bonds. The Company does not generally invest in real estate and now holds none, other than its own head office property in Toronto of which some space is leased to others.

Report on General Insurance Operations (cont'd)

Mr. George L. Cooke

Outlook

Underwriting results for the industry in 2001 are expected to be the worst in decades. The long overdue market hardening arrived in 2001. Premium rates are increasing more quickly and significantly than previously anticipated. This trend was accelerated in late 2001 by the tragic World Trade Center attacks and the ensuing increases in reinsurance rates charged to primary insurers. These increases are the inevitable result of prolonged poor loss ratios and sharply declining investment returns. Excess prior year claims reserves and high stock market returns have dried up leaving the industry to face the consequence of severe price competition. The industry as a whole experienced adverse development on claims provisions for the 1999 accident year, in sharp contrast to the industry's long standing favourable claims run-off pattern. Management believes that in 2001 the industry is experiencing further adverse development for accident year 1999 as well as adverse development for accident year 2000.

Against the backdrop of poor industry performance, The Company successfully achieved its 2001 business plan by significantly improving underwriting results, as part of a three year plan to restore target underwriting profitability by 2003 and surpassing the target in 2004. The Company implemented corrective action a year to eighteen months ahead of the industry and the benefits have begun to show in the 2001 results, with momentum carrying into 2002. Rate increases and underwriting discipline will continue to be a major focus for improved profitability in 2002, while the industry outlook for 2002 remains bleak. As well, management will take advantage of any opportunities to selectively increase market share, afforded by The Company's superior result, while competitors continue to catch up on rates and underwriting. Operating expenses will continue to be vigilantly managed, ease-of-doing-business initiatives will continue to enhance broker support and increase efficiency and "access to information" improvements will further enhance underwriting management.

Management's Discussion and Analysis

Report on Life Insurance Operations

Mr. Douglas G. Hogeboom

On January 1, 2002 The Empire Life Insurance Company amalgamated with its wholly owned subsidiary, Concordia Life Insurance Company (Concordia) to form one company, The Empire Life Insurance Company (Empire). Under the Empire Financial Group name, Empire provides a broad range of life insurance and investment products, employee benefit plans, and financial services to meet the needs of individuals, professionals, and businesses through a network of Independent Financial Advisors (IFA), Managing General Agents (MGA), and Employee Benefit brokers and representatives.

Overview

Empire reported shareholders' net income of $37.2 million for 2001 compared to $40.3 million for 2000. Overall, operations' net income was down from 2000 with only the Employee Benefits product line showing an appreciable improvement in earnings. Favourable claims experience in Employee Benefits was offset by the negative impact that declining stock markets and increased expense ratios had on the other product lines. Despite declining world stock markets, Capital and Surplus earnings were higher than 2000, when the corporation's future tax asset was written down because of announced decreases in future tax rates. The tragic events of September 11th had no impact on Empire's net income or financial position aside from the events' impact on world stock markets. The net contribution to E-L Financial's earnings, after adjustment for minority interests, was $29.6 million ($32.1 million for 2000). Empire's consolidated risk based capital ratio, as measured by Minimum Continuing Capital and Surplus Requirements, continued to be very strong and well above minimum requirements.

Growth in assets was flat in the year as asset growth in life insurance product lines was offset by a decline in investment product assets and a small decline in segregated fund assets. This represents a drop from 2000 growth levels when assets were up 7%, due primarily to the acquisition of two blocks of annuity business from Coopérants, Mutual Life Insurance Society and Confederation Life.

The Summary of Life Insurance Operations on page 35 of this Report provides an overview of results for the five-year period from 1997 to 2001. The analysis and discussion which follow, focus on the 2001 and comparative 2000 results for each of the major lines of business.

	(thousands)	
	2001	2000
Net income:		
Segregated Funds	**$ 4,990**	$ 7,178
Investment Products	**(4,327)**	4,887
Employee Benefits	**3,105**	130
Individual Insurance	**3,169**	3,163
Capital & Surplus	**21,028**	18,829
Net income from Canadian operations	**27,965**	34,187
Net income from subsidiary (net of minority interest)	**370**	396
Net income	**28,335**	34,583
Policyholders' portion of income	**(8,882)**	(5,687)
Minority shareholders' portion of income	**7,576**	8,198
Net profit contribution to E-L Financial	**$ 29,641**	$ 32,072

Segregated funds

The assets in Empire's Segregated Funds decreased slightly in the year, with market value depreciation offsetting positive net sales. Net sales improved for the second consecutive year as Empire's competitive position continued to improve. The conservative stance taken on maturity guarantees paid off as the increase in capital and reserve requirements for guarantees caused competitors to retrench. Empire's value oriented investment strategy continued to enhance competitive position as relative investment performance improved amidst declining stock markets.

Net income was below the record level this product line achieved in 2000. The decline in stock markets resulted in a reduction in the average funds under management and a consequent reduction in management fees.

	(thousands)	
	2001	2000
Fee and other income	**$ 39,547**	$ 42,103
Benefits and expenses	**30,847**	29,712
Income and other taxes	**3,710**	5,213
Net income after tax	**$ 4,990**	$ 7,178
Assets under management	**$ 1,860,730**	$ 1,873,057

Investment products

Assets in this line of business decreased by 6% during 2001 as new sales were not sufficient to replace the natural decline in the two blocks of annuity business acquired during 2000 from Coopérants, Mutual mociety and Confederation Life.

This product line showed a loss for the year as significant reserve strengthening to reflect adverse mortality experience at Concordia more than offset continued strong investment spreads generated by Empire's asset-liability matching program.

	(thousands)	
	2001	2000
Annuity premiums	**$ 70,863**	$ 68,977
Fee income	**519**	781
Investment and other income	**69,879**	74,859
	141,261	144,617
Benefits and expenses	**154,169**	143,500
Income and other taxes	**(8,581)**	(3,770)
Net income after tax	**$ (4,327)**	$ 4,887
Assets under management	**$ 924,973**	$ 988,960

Report on Life Insurance Operations (cont'd)

Mr. Douglas G. Hogeboom

Employee benefits

The Employee Benefits product line's continued focus on balancing growth and profit generated record results during 2001. The product line achieved record sales results, surpassing 2000's record sales level by almost 13%, while simultaneously generating record net income as strict attention to pricing levels led to improved claims' ratios and the growth in business again resulted in lower unit expenses.

Technology development, ever important in maintaining this product line's strong competitive position in the delivery of client services, continued with the implementation of a Web enabled dental claims processing system.

	(thousands) 2001	2000
Premium income	$ 120,600	$ 94,259
Investment and other income	4,870	4,386
	125,470	98,645
Benefits and expenses	117,740	96,345
Income, premium and other taxes	4,625	2,170
Net income after tax	$ 3,105	$ 130
Annualized premium sales	$ 29,652	$ 26,292

Individual insurance

Overall, annualized sales in 2001 were down 2% from 2000 as the 32% increase in the sales of Empire products was offset by a decline in the sales of Concordia products. Despite the slight decline during the year, the quarterly sales trend was encouraging. After a slow first quarter, sales results improved in each successive quarter as a result of steady growth from the IFA network and the introduction of the full Empire product portfolio to the MGA network.

Earnings in 2001 were consistent with last year's level despite the negative impact that declining stock markets had on earnings on universal life products.

	(thousands) 2001	2000
Premium income	$ 149,863	$ 160,958
Investment and other income	43,808	50,457
	193,671	211,415
Benefits and expenses	186,669	201,737
Income, premium and other taxes	3,833	6,515
Net income after tax	$ 3,169	$ 3,163
Annualized premium sales	$ 16,301	$ 16,716

Report on Life Insurance Operations (cont'd)

Mr. Douglas G. Hogeboom

Capital and surplus

In addition to the four major lines of business, Empire maintains distinct accounts for the investment income attributable to Policyholders' Surplus and to Shareholders' Capital and Surplus. The 2001 contribution to net income from the Policyholders' Surplus account and the Shareholders' Capital and Surplus account was $21.0 million compared to $18.8 million in 2000. Declines in world stock markets suppressed investment income in these accounts during 2001, but earnings were higher than 2000 as a result of last year's writedown of the future tax asset. Empire has been required to prepay tax on unrealized stock market gains as a result of "mark to market" taxes. Because of this prepayment, and the creation of a corresponding future tax asset, the announcement of reductions in future income tax rates during 2000 meant that a portion of the future tax asset then being held could never be realized and had to be written down.

Risks

Empire faces a broad range of risks and uncertainties in its day to day operations. Being a financial institution, a number of these risks are centred upon Empire's investments and include credit, interest rate, liquidity and foreign exchange risks. Management and Board committees review credit quality relative to investment purchases and also monitor the credit quality of invested assets through time. Empire has an asset-liability matching committee, which reports regularly to the Investment Committee of the Board, and monitors the matched position of investments to the liabilities within the various segments of Empire's operations. The matching process ensures that assets supporting policy liabilities closely match the timing and amount of policy obligations as well as provide the appropriate amount of liquidity. This process addresses the management of interest rate risk, which is the risk of economic losses due to the need to reinvest or divest during periods of changing interest rates, and liquidity risk. The matching process also monitors and aligns the foreign currency position of the assets with the liabilities within the various segments thus managing the risk emanating from changes in foreign exchange rates.

Other risks relating to Empire's operations are described further in the notes to the financial statements.

Outlook

As expected, there was continued industry consolidation in 2001, with Maritime Life buying the life division of Royal & Sun Alliance and Sun Life announcing a friendly takeover bid for Clarica. The continued trend to fewer players coupled with ongoing pressure for reasonable rates of return on investments from each product line has led to higher prices and profit margins in the employee benefits marketplace. This was demonstrated in Empire's Employee Benefits results in 2001 as the line of business was able to simultaneously improve market share and rate of return. Going forward, Empire's focus on balanced growth and profit, coupled with the building of strong relationships with producing partners, should continue to enhance Empire's strong presence in the small group marketplace while simultaneously achieving target returns.

Contrary to the reinsurance rate retrenchment in other insurance lines as a result of the tragic events of September 11th, reinsurance rates in the Canadian life insurance market remained highly competitive and continued to put downward pressure on the price levels of individual insurance products. Unless a company opts for increased levels of reinsurance, these price levels create significant new business strain. Despite the negative impact this new business strain has on short term earnings, Empire continues to focus efforts on growth in this market segment as the long term returns this product line offers are consistent with target returns.

Report on Life Insurance Operations (cont'd)

Mr. Douglas G. Hogeboom

On the wealth management side of the business, Empire experienced a favourable turnaround in net sales of segregated funds in 2001. This turnaround is attributed in large part to the funds' continued above average performance, further demonstrating the advantages that actively managed funds offer in uncertain markets. The positive sales momentum created by this performance, coupled with the introduction of two new actively managed funds late in 2001, is expected to result in further improvements in net sales results in 2002.

Empire continues to maintain a strong balance sheet and capital position. Capital is well in excess of minimum regulatory requirements as measured by the Minimum Continuing Capital and Surplus Requirements. Empire's "A" (Excellent) rating from A.M. Best Company provides third party confirmation of this strength. With Empire's strong capital base we are well positioned to capitalize on the opportunities which exist in today's market while maintaining Empire's enviable earnings history.

Empire has been building on Concordia's established relationships with the MGA network, and with the introduction of the full product portfolio to this network, Empire has broadened distribution reach. Empire remains committed to the distribution of its products through qualified intermediaries who can provide the counsel consumers need to fulfil their financial goals. Empire intends to continually enhance the product, technology and service support that these advisors need to satisfy their clients. The strengthening of Empire's relationship with its producing partners and a focus on developing new relationships with quality producers is the key element in achieving Empire's growth goals.

E-L Financial Corporation Limited and subsidiary companies

(Incorporated under the laws of Ontario)

Management Report

The accompanying consolidated financial statements of E-L Financial Corporation Limited and its subsidiaries and all information in the annual report are the responsibility of management and have been approved by the Board of Directors. The financial statements necessarily include amounts that are based on judgements, which are applied consistently and are considered appropriate in the circumstances.

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Financial and operating data elsewhere in the annual report are consistent with the information contained in the financial statements.

The Company and its subsidiaries maintain systems of internal control which are designed to provide reasonable assurance that assets are safeguarded, that transactions are properly recorded and that financial records are reliable for preparing the financial statements.

The Board of Directors carries out its responsibility for the financial statements in this annual report principally through its Audit Committee and the Audit Committees of its subsidiaries. These Audit Committees meet periodically with management and with the internal and external auditors to discuss the scope and results of audit examinations with respect to internal controls and financial reporting of the Company and its subsidiaries. The Audit Committees also meet periodically with the appointed actuaries.

The actuaries are appointed by the boards of directors of the insurance subsidiaries to conduct an annual valuation of policy liabilities, in accordance with accepted actuarial practices, and to report on whether the valuations are appropriate and whether their results are fairly presented in the subsidiaries' financial statements. The appointed actuaries use the work of the external auditors in verifying data used for valuation purposes.

Deloitte & Touche LLP has been appointed external auditors. It is their responsibility to report to the shareholders regarding the fairness of presentation of the Company's consolidated financial position and results of operations as shown in the annual financial statements. In carrying out their audit, the external auditors also make use of the work of the actuaries and their reports on policy liabilities. The external auditors have full and free access to, and meet periodically with, the Audit Committees to discuss their audits. The Auditors' Report outlines the scope of their examination and their opinion.

The Honourable Henry N.R. Jackman
Chairman and President

Mark M. Taylor
Vice-President, Finance and Secretary

Consolidated Balance Sheets
(thousands of dollars)

As at December 31,

Assets	2001	2000
Portfolio investments, at market value (Note 3)	**$ 615,067**	$ 556,400
Investments - insurance operations (Note 4)	**3,188,184**	3,072,883
Cash and cash equivalents	**189,245**	207,918
Premiums receivable	**151,063**	140,876
Investment income accrued	**26,200**	29,907
Deferred acquisition expenses	**75,017**	73,034
Reinsurance recoverable (Note 5)	**146,439**	142,774
Future income taxes (Note 11)	**40,626**	70,055
Other assets (Note 7)	**92,984**	86,504
	$ 4,524,825	$ 4,380,351
Segregated funds assets	**$ 1,860,730**	$ 1,873,057

Auditors' Report

To the Shareholders of
E-L Financial Corporation Limited

We have audited the consolidated balance sheets of E-L Financial Corporation Limited as at December 31, 2001 and 2000 and the consolidated statements of income, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2001 and 2000 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Toronto, Canada
February 21, 2002

Liabilities	2001	2000
Policy liabilities (Note 5)	**$2,846,379**	$2,790,435
Policyholders' funds on deposit	**37,386**	36,652
Income and other taxes payable	**2,179**	21,780
Provision for profits to policyholders	**11,352**	11,525
Deferred realized net gains on investments (Note 6)	**164,389**	167,515
Other liabilities	**78,530**	74,078
Future income taxes on unrealized appreciation of portfolio investments (Notes 3 and 11)	**19,750**	22,827
	3,159,965	3,124,812
Minority interest	**77,487**	70,567
Participating policyholders' interest	**36,399**	45,281
	113,886	115,848
Shareholders' Equity		
Capital stock (Note 9)	**7,892**	7,892
Retained earnings (Note 9)	**915,532**	839,972
Unrealized appreciation of portfolio investments (Note 3)	**327,550**	291,827
	1,250,974	1,139,691
	$4,524,825	$4,380,351
Segregated funds liabilities	**$1,860,730**	$1,873,057

Approved by the Board

The Honourable Henry N.R. Jackman, Director

J. Christopher Barron, Director

Consolidated Statements of Income
(thousands of dollars except per share amounts)

	Years Ended December 31,	
	2001	2000
Revenue		
Insurance premiums	**$ 895,963**	$ 849,088
Annuity premiums	**70,863**	68,977
Investment and other income	**246,669**	252,960
Amortization of realized investment gains	**25,501**	25,881
Amortization of unrealized investment gains	**8,349**	12,245
Gain on sale of investments	**59,643**	58,038
	1,306,988	1,267,189
Expenses		
Claims and policy benefits	**831,431**	811,833
Commissions	**157,283**	150,190
Operating	**137,009**	134,851
	1,125,723	1,096,874
Income Before the Undernoted Items	**181,265**	170,315
Taxes		
Income (Note 11)	**64,367**	56,850
Premium	**26,495**	25,013
Investment and capital	**3,060**	2,145
	93,922	84,008
Income Before Policyholders' and Minority Shareholders' interest	**87,343**	86,307
Policyholders' and Minority Shareholders' Portion of Income	**9,863**	12,918
Net Income (Note 12)	**$ 77,480**	$ 73,389
Earnings per Share	**$ 20.17**	$ 19.11

Consolidated Statements of Retained Earnings
(thousands of dollars)

	Years Ended December 31,	
	2001	2000
Retained earnings, beginning of year	**$ 839,972**	$ 768,503
Net income	**77,480**	73,389
	917,452	841,892
Dividends (Note 9)	**(1,920)**	(1,920)
Retained earnings, end of year	**$ 915,532**	$ 839,972

Consolidated Statements of Cash Flows
(thousands of dollars)

	Years Ended December 31,	
	2001	2000
Net inflow (outflow) of cash related to the following activities:		
Operating		
Net income	**$ 77,480**	$ 73,389
Items not affecting cash resources:		
Increase in net policy liabilities	**52,279**	72,390
Gain on sale of investments	**(59,643)**	(58,038)
Future income taxes	**29,429**	(16,142)
Amortization	**(79,396)**	(80,464)
Other items	**(5,350)**	(1,461)
Policyholders' dividends	**(10,955)**	(10,113)
	3,844	(20,439)
Net sales (purchases) of short-term investments - insurance operations	**(24,388)**	17,178
Net change in other assets and liabilities	**(5,852)**	(10,117)
	(26,396)	(13,378)
Financing		
Dividends to shareholders	**(1,920)**	(1,920)
Investing		
Purchases of investments	**(1,313,618)**	(1,402,801)
Proceeds from sale of investments	**1,356,398**	1,146,859
Net purchases of short-term investments	**(26,153)**	(27,767)
Net purchases of other assets	**(9,085)**	(3,160)
Cash from insurance policy block acquisitions (Note 18)	**—**	225,748
	7,542	(61,121)
Decrease in cash and cash equivalents	**(20,774)**	(76,419)
Cash and cash equivalents, beginning of year	**188,616**	265,035
Cash and cash equivalents, end of year (Note 19)	**$ 167,842**	$ 188,616

1. Nature of the business

E-L Financial Corporation Limited (the "Company") is an investment holding company.

The Company has two operating insurance subsidiaries, The Dominion of Canada General Insurance Company ("Dominion") and The Empire Life Insurance Company ("Empire"). Dominion underwrites property and casualty insurance ("general insurance") while Empire underwrites life and health insurance policies and annuity contracts (collectively "life insurance") for individuals and groups. Both subsidiaries are registered under the Insurance Companies Act and operate in most provinces and territories across Canada.

In addition, the Company manages a portfolio of publicly traded fixed income and equity securities both directly and indirectly through a number of closed-end investment fund corporations and other investment companies ("portfolio investments").

2. Summary of significant accounting policies

Basis of presentation

These consolidated financial statements include the accounts of Dominion (including Dominion's wholly-owned subsidiary, Chieftain Insurance Company) and 1127334 Ontario Inc. (both wholly-owned); E-L Financial Services Limited (81.0% owned) and its 98.3% owned subsidiary company, Empire (including Empire's wholly-owned subsidiary Concordia Life Insurance Company ("Concordia") and Empire's 51% owned subsidiary company, GRENEL Financial Corporation.)

General accounting policies

Short-term investments

Short-term investments consist of treasury bills, commercial paper and bankers' acceptances with maturities of greater than three months and less than one year when acquired. Treasury bills, commercial paper and bankers' acceptances with maturities of three months or less from the date of acquisition are classified as cash equivalents. These investments are carried at cost, which approximates fair value.

Dividends and interest

Dividend income is recognized on the ex-dividend date. Interest income is recognized as it is earned.

Employee future benefit plans

The Company accrues its obligations for its employee benefit plans, net of plan assets. The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method pro-rated on services and using management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and expected health care costs. For the purpose of calculating the expected return on plan assets, those assets are valued at fair value. The transition asset arising on the adoption of the new accounting rules is being amortized over the average remaining service period of active employees. The excess of the net actuarial gain (loss) over 10% of the greater of the accrued benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees.

Portfolio investments

The significant accounting policies applied to the Company's portfolio investments are as follows:

Investments

Portfolio investments are carried at market value. For publicly traded securities, market value is determined based on closing market quotations. Securities which are not publicly traded represent shares in certain investment companies, for which market value is determined based on the market values of the underlying net assets. The investment portfolios held by these companies are comprised of publicly traded securities.

Realized gains and losses on sale of investments, measured as the difference between average cost and sales proceeds, are recognized in the income statement on the date of disposal. Unrealized gains and losses which arise through changes in the market value of portfolio investments, net of the relevant future income taxes, are recorded through Unrealized appreciation of portfolio investments which is a separate component of shareholders' equity.

Future income taxes

Future income taxes are recorded with respect to the potential future tax liability, measured at substantively enacted tax rates, related to the unrealized appreciation in investment values.

Insurance operations

The accounting policies applied in the general and life insurance industries differ in various respects. The differences mainly affect investments and policy liabilities as explained below.

Investments

Investments in bonds and debentures are carried at amortized cost and mortgages are carried at amortized cost less repayments. Investments in stocks, real estate and commercial loans are carried at cost except as described below.

For the general insurance operation, gains and losses on the sale of investments are recognized on the date of disposal.

For the life insurance operation, unrealized gains and losses on stocks and real estate are amortized to income at annual rates of 15% and 10%, respectively. The accumulated unrealized gains and losses amortized to income are included in the balance sheet with the related investments and are separately disclosed in Note 4. Realized gains and losses on stocks are deferred and amortized to income at a 15% annual rate. Realized gains and losses on the sale of bonds and mortgages are deferred and amortized to income over the lesser of the period to maturity or twenty years from the date of sale. The unamortized realized gains and losses for bonds, mortgages and stocks are included in the balance sheet as Deferred realized net gains on investments.

Investments with a permanent impairment in value are written down to their estimated realizable value.

Loans on policies are carried at their unpaid balance and are either fully secured by the cash surrender values of the life insurance policies on which the respective loans are made or secured by the assignment of a life insurance policy to the life insurance operation.

The life insurance operation also uses certain common share and bond investments for hedging its exposure to products it offers which have a savings component that varies with a variety of indices and currencies. These investments are accounted for on a mark to market basis.

Derivatives

In the ordinary course of business, the life insurance operation uses futures contracts, call options and foreign currency forward contracts to match policy obligations that vary with a variety of indices or foreign currencies. These financial instruments are marked to market and the unrealized gains and losses are recognized in income in the period.

The life insurance operation also uses futures contracts to partially match Shareholders' and Policyholders' equity. Realized and unrealized gains or losses on futures used for this purpose are accounted for in the same manner as common and preferred stocks.

The notional amounts of derivatives are not recognized in the financial statements.

Deferred acquisition expenses

In the life insurance operation, distribution costs of segregated funds having a deferred sales charge, are deferred and amortized over the term of the related deposits or the applicable period of such sales charges, as appropriate.

Deferred acquisition expenses for the general insurance operation, comprised primarily of commissions and premium taxes, are amortized over the periods in which the premiums are earned. Premiums are earned on a straight line basis over the term of the related policies.

Policy liabilities

Policy liabilities are determined using accepted actuarial practices in accordance with the standards of the Canadian Institute of Actuaries. Annually, each insurance subsidiary obtains an actuarial opinion on the appropriateness of the policy liability amounts recorded in its financial statements. These opinions also incorporate related amounts for reinsurance recoverable and deferred acquisition expenses, relating to the general insurance operations, that are recorded as assets in the balance sheet. The bases used for estimating each of general and life insurance policy liabilities are described below.

General insurance policy liabilities include provisions for unearned premiums and unpaid and unreported claims. The provision for unpaid and unreported claims provides for all costs of investigation and settlement of insurance losses that have occurred prior to the year end, net of anticipated salvage and subrogation. Estimates must be made of the ultimate costs for known or reported claims as well as an estimate for those claims incurred but not yet reported. Many assumptions underlie these estimates such as claims frequency and severity, claims payment trends, inflation and interest rates, as well as potential changes in legislation and in the interpretation of liability by the courts.These estimates do not recognize the time value of money except for policy liabilities for automobile accident benefit payments.

Life insurance policy liabilities represent the estimated amount which, together with estimated future premiums and investment income, will be sufficient to fund future benefits, dividends, expenses and taxes on policies in force. The liabilities incorporate management's best estimate assumptions regarding such factors as mortality and morbidity, investment returns, rates of policy terminations, level of operating expenses, inflation, policyholder dividends and taxes.

All changes in policy liability estimates are recorded in Claims and policy benefits in the statement of income in the period in which they occur.

Reinsurance ceded

Reinsurance is ceded to other insurers in order to limit exposure to significant losses. Reinsurance ceded does not relieve the insurance operation of its primary liability. Ceded reinsurance premiums and reinsurance recoveries on claims and policy benefits incurred are recorded as a reduction of the respective income and expense amounts. Estimates of amounts recoverable from reinsurers in respect of general insurance policy liabilities and unearned premiums are recorded as Reinsurance recoverable on the balance sheet.

Participating policyholders' interest

Certain life, disability and annuity policies are defined as participating policies by contractual provisions, and are eligible for periodic dividends. The distribution of dividends is made from the earnings attributed to the performance of the participating business.

Segregated funds

The segregated fund asset and liability amounts on the balance sheet are in respect of investment funds held on behalf of insurance policyholders.

The consolidated statement of income includes fee income earned from the segregated fund business.

Investments held in the segregated funds are carried at market values.

(all dollar figures expressed in thousands)

3. Portfolio investments

	2001		2000	
	Cost	Market Value	Cost	Market Value
Short-term investments	$ 57,251	$ 57,251	$ 31,098	$ 31,098
Bonds and debentures	116,720	118,450	118,398	118,742
Common and preferred stocks	93,796	439,366	92,250	406,560
	$ 267,767	$ 615,067	$ 241,746	$ 556,400

Market values for bonds and debentures are based on publicly quoted prices. Market values for publicly traded equity securities are based on closing market quotations. Where equity securities are not publicly traded, market values are determined based on the market value of the net assets underlying those entities. Realization on the market value appreciation of equity investments held is dependent in part on the timing of distribution of cash dividends by these entities or the ultimate disposition of the Company's interest in these entities.

The Company's investments in common and preferred stock are primarily held in entities that can be significantly influenced by a party that can significantly influence the Company. Included in the consolidated statement of income are cash dividends from these companies amounting to $31,047 (2000 - $14,709).

The Company's bond and debenture portfolio is comprised of 70% (2000 - 69%) Canadian federal and provincial bonds. Bond and debenture investments have the following maturity profile: 31% (2000 - 28%) less than three years, 21% (2000 - 11%) between three and five years, and 48% (2000 - 61%) over five years. The effective interest rate on this portfolio is 5.6% (2000 - 5.8%) and the portfolio duration is 6.0 years (2000 - 5.6 years). The net change in Unrealized Appreciation of Portfolio Investments is comprised of the following:

	2001	2000
Unrealized appreciation of portfolio investments, beginning of year	$ 291,827	$ 227,990
Increase in market value of portfolio investments	51,708	61,584
Realized gains during the year	(19,062)	(4,676)
Impact of change in substantively enacted future tax rates	3,792	13,697
Increase in provision for taxes on unrealized appreciation	(7,895)	(9,580)
Impact of non-cash dividends received on provision for taxes on unrealized appreciation	7,180	2,812
Unrealized appreciation of portfolio investments, end of year	$ 327,550	$ 291,827

The impact of non-cash dividends reflected in the above table is based on the expected tax rate which would apply to the ultimate disposition of the Portfolio Investments, which is lower that the tax rate paid on non-cash dividends received in the year.

(all dollar figures expressed in thousands)

4. Investments - insurance operations

The carrying values and market values of investments are as follows:

	2001		2000	
	Carrying Value	**Market Value**	Carrying Value	Market Value
Short-term investments	**$ 74,921**	**$ 74,921**	$ 50,533	$ 50,533
Bonds and debentures	**1,714,393**	**1,816,852**	1,759,344	1,871,439
Mortgages and commercial loans	**259,416**	**267,683**	265,702	272,081
Common and preferred stocks	**890,919**	**967,515**	754,145	884,578
Real estate	**7,560**	**10,230**	7,899	10,839
Loans on policies	**205,244**	**205,244**	202,988	202,988
Amortized unrealized gains on investments	**35,731**	**—**	32,272	—
	3,188,184	**3,342,445**	3,072,883	3,292,458
Less: matched securities	**(1,790,156)**	**(1,888,390)**	(1,783,151)	(1,892,674)
	$1,398,028	**$1,454,055**	$1,289,732	$1,399,784

The carrying values reported in the above table include investments used for hedging comprised of common shares valued at market of $17,328 (2000 - nil) and bonds valued at market of $2,482 (2000 - nil).

Market values for bonds and debentures and common and preferred stocks are based on publicly quoted prices. Due to the nature of loans on policies, market value is assumed to be equal to carrying value. Market value for mortgages and commercial loans reflects a revaluation of the underlying cash flows based on current market interest rates. Market values for each real estate property are established periodically by qualified appraisers. Market values, which are shown without providing for any sale transaction costs, represent an approximate measure of fair value.

Matched securities include certain investments acquired to match life insurance policy liabilities by quality, yield and maturity. Fluctuations in the market values of these matched securities usually will not have any net impact upon future income.

The remaining investments are held to maintain sufficient liquidity to pay general insurance claims as they come due and to provide an appropriate return on policyholders' and shareholders' equity, a significant portion of which must be maintained to satisfy regulatory minimum capital requirements.

Canadian federal and provincial bonds comprise 68% (2000 - 67%) of the general insurance operations bonds and debentures. These bonds and debentures have the following maturity profile: 12% (2000 - 8%) within one year, 40% (2000 - 47%) between one and five years and 48% (2000 - 45%) over five years. The effective interest rate of these bonds and debentures is 6.3% (2000 - 6.6%) and the portfolio duration is 4.6 years (2000 - 4.4 years).

Allowances have been provided on impaired investments. Allowances for impairment amounted to $6,614 (2000 - $7,342) on investments of $58,230 (2000 - $17,066).

The shareholders' proportion of any gains or losses to be realized on life insurance operation investments will be reduced by amounts attributed or allocated to policyholders' and minority interests.

(all dollar figures expressed in thousands)

5. Policy liabilities

Policy liabilities are comprised of:

	2001			2000		
	Gross	**Reinsurance**	**Net**	Gross	Reinsurance	Net
General insurance unearned premiums provision	**$ 319,563**	**$ 3,553**	**$ 316,010**	$ 302,508	$ 3,225	$ 299,283
General insurance unpaid and unreported claims provision	**681,936**	**62,253**	**619,683**	645,683	60,257	585,426
Life insurance benefits and expense provision	**1,844,880**	**80,633**	**1,764,247**	1,842,244	79,292	1,762,952
	$2,846,379	**$ 146,439**	**$2,699,940**	$2,790,435	$142,774	$2,647,661

General insurance unearned premiums provision represents the portion of premiums that relate to the unexpired term of underlying insurance policies. These amounts are determined to be sufficient to fund anticipated claims and expenses.

The change in net policy liabilities from the prior year, excluding the general insurance unearned premium provision, is outlined below:

	2001	2000
General insurance		
Balance, beginning of year	**$ 585,426**	$ 540,404
Prior year claims development	**(3,977)**	(11,264)
Current year claims incurred	**476,715**	471,345
Claims payments	**(438,481)**	(415,059)
Balance, end of year	**$ 619,683**	$ 585,426
Life insurance		
Balance, beginning of year	**$ 1,762,952**	$ 1,528,275
Changes in valuation assumptions	**(900)**	(4,200)
Normal changes - new business	**112,309**	102,120
- in-force business	**(110,114)**	(88,991)
Insurance policy block acquisitions	**—**	225,748
Balance, end of year	**$ 1,764,247**	$ 1,762,952

In the absence of an active market for the sale of claims liabilities, it is difficult to determine the fair value of the general insurance unpaid and unreported claims provision and reinsurance recoverable. One appropriate representation of fair value is the discounted value as determined by accepted actuarial practice. As at December 31, 2001 the actuarially discounted value of unpaid and unreported claims is $669,000 (2000 - $625,000) and of reinsurance recoverable is $57,000 (2000 - $52,000).

(all dollar figures expressed in thousands)

The general insurance unpaid and unreported claims provision does not include amounts for claims where obligations to claimants have been settled by the purchase of annuities from life insurance companies. The general insurance operation guarantees the life insurers' obligations under these annuities which are estimated to be $195,806 (2000 - $138,477) based on the net present value of the projected future cash flows. Of the increase in 2001, $43,016 is associated with the Canadian claims assumed from a third party foreign insurance company in 2001, which the general insurance operations had been managing on behalf of the third party since it exited Canada in 1991. The Company considers the credit risk of such guarantees to be insignificant.

Note 4 shows the relationship between fair values and carrying values of matched assets relating to the life insurance operation. The Company has estimated that any increase or decrease in the fair value of the matched asset portfolio would result in a corresponding increase or decrease in the fair value of the related policy liabilities of approximately the same amount.

The provisions described above are estimates and accordingly, the actual amounts that are ultimately incurred will differ. The likelihood of significant differences from amounts currently provided increases with the length of the time until the settlement amounts of claims and the timing of other benefits are established. A significant proportion of the Company's policy liabilities are long-term. Management of the Company is satisfied that current estimates constitute a prudent assessment of these liabilities.

6. Deferred realized net gains on investments

Deferred realized net gains, which arise from the life insurance operation, include approximately $72,000 (2000 - $73,000) of net gains related to bonds and mortgages that are matched to policy liabilities. When amortized, the gains on matched investments will not result in any net increase in future income.

7. Other assets

Other assets are comprised of the following:

	2001	2000
Due from Facility Association	**$ 24,237**	$ 23,072
Goodwill (net of accumulated amortization of $3,150 (2000 - $2,535))	**3,068**	5,094
Capital assets, at cost (net of accumulated amortization of $49,862 (2000 - $42,409))	**21,770**	23,086
Due from reinsurance companies	**10,622**	6,992
Pension asset (Note 13)	**13,182**	13,467
Other	**20,105**	14,793
	$ 92,984	$ 86,504

Facility Association is an insurance plan, operated on behalf of the automobile insurance industry, that provides coverage to higher risk automobile drivers. Results are pooled and shared among automobile insurers.

Goodwill, representing the excess of acquisition cost of Concordia shares over the assigned value of net assets acquired, is being amortized on a straight line basis over 10 years. During 2001, goodwill was reduced by $1,411 (2000 - $1,656) to reflect an adjustment to the original acquisition cost of Concordia on partial settlement of a promissory note issued as partial consideration for the purchase.

(all dollar figures expressed in thousands)

8. Reinsurance

In the normal course of business, the insurance subsidiaries cede reinsurance to other insurers in order to limit exposure to significant losses. The general insurance operation's exposure to claims was limited as follows: $3,000 for an automobile claim; $750 for personal and commercial property claims; $1,250 for a casualty claim; and $2,500 for a surety claim. The general insurance operation also has a catastrophe reinsurance arrangement providing coverage up to $400,000, in the event of a series of claims arising out of a single occurrence, under which the general insurance operation is responsible for the first $15,000 plus 2.5% of the first $60,000 of claims exceeding that retention level. The life insurance operation's exposure to claims is limited to $500 on any one life. These reinsurance arrangements are reflected in the consolidated statement of income as a reduction of $48,817 (2000 - $44,102) in insurance premiums.

9. Shareholders' equity

Capital stock

		2001	2000
Authorized:			
4,402,733	preference shares, issuable in series		
10,597,267	common shares		
Issued:			
264	Series A convertible preference shares	$ 1	$ 1
3,840,248	common shares	7,891	7,891
		$ 7,892	$ 7,892

The Series A convertible preference shares are convertible in perpetuity into common shares on a share for share basis and are entitled, when and if declared, to a non-cumulative dividend of $0.50 per share per annum.

Both the Series A convertible preference and common shares received dividends of $0.50 per share in 2001 and 2000.

Shareholders' entitlement to $4,044 (2000 - $5,031) of shareholders' equity is contingent upon future payment of dividends to participating life insurance policyholders.

10. Capital adequacy of insurance subsidiaries

The Company's insurance subsidiaries are required to maintain capital and surplus in excess of minimums established through regulatory tests applied by the Office of the Superintendent of Financial Institutions. Each subsidiary has capital and surplus in excess of the required minimum levels.

(all dollar figures expressed in thousands)

11. Income taxes

The combined statutory Canadian federal and provincial tax rate applicable to the Company and its subsidiaries in 2001 approximates 42.1% (2000 - 43.5%). Income taxes are assessed on operating income after deducting premium taxes and investment taxes. The effective tax rate varies from the combined statutory rate as follows:

	2001	2000
Income taxes at statutory rate	**$ 64,073**	$ 62,175
Variance as a result of:		
Tax-paid investment income	**(1,418)**	(10,810)
Policy dividends	**(4,602)**	(4,329)
Reductions in enacted future tax rates	**5,400**	8,822
Other	**914**	992
Income tax provision	**$ 64,367**	$ 56,850

The Company's income tax expense includes provisions for current and future taxes as follows:

	2001	2000
Current	**$ 34,938**	$ 72,992
Future	**29,429**	(16,142)
	$ 64,367	$ 56,850

The future income tax asset relates to the insurance operations and arises primarily due to taxes paid on the net change in market value of investments and differences in the timing of deduction of claims and policy benefit expenses for tax purposes.

Future income taxes on unrealized appreciation of portfolio investments represents the estimated tax that would ultimately be payable on realization of these gains.

During 2001, the Company and its subsidiaries paid income tax instalments totalling $59,831(2000 - $99,252) and received income tax refunds totalling $6,104 (2000 - $1,108).

Dominion's subsidiary has unused tax losses of $2,034 expiring in 2006, $2,323 expiring in 2007and $880 expiring in 2008. Such losses have been recognized as recoveries of future tax.

The Company also has accumulated refundable dividend tax of $23,238 (2000 - $14,317). The potential benefit of this amount has not been reflected in these financial statements.

12. Analysis of net income

Components of net income, each net of policyholders' and minority shareholders' interest, is as follows:

	2001	2000
Income excluding undernoted	**$ 37,815**	$ 30,491
Amortization of investment gains and losses	**13,259**	11,633
Gain on sale of investments	**26,406**	31,265
	$ 77,480	$ 73,389

Net income for 2001 includes $2,507 (2000 - $2,948) of amortized realized gains relating to the 1997 disposition of the Company's investment in National Trustco Inc. There remains $14,201 (2000 - $16,708) to be amortized over future years at a 15% annual rate.

(all dollar figures expressed in thousands)

13. Employee future benefit plans

Pension benefit plans include defined benefit plans available to certain employee and executive groups, as well as certain defined benefits elected to be retained on conversion of Dominion's defined benefit plan to a money purchase plan in 1994. The Company and its subsidiaries also provide for extended health care coverage and other future benefits to qualifying employees and retirees.

	Pension Benefit Plans		Other Benefit Plans	
	2001	2000	**2001**	2000
Accrued benefit obligation				
Balance at beginning of year	**$ 80,867**	$ 76,175	**$ 10,800**	$ 9,990
Current service cost	**3,240**	2,521	**406**	463
Employee contributions	**1,185**	1,069	**—**	—
Interest cost	**5,702**	5,292	**753**	716
Benefits paid	**(2,981)**	(3,803)	**(504)**	(368)
Actuarial loss (gains)	**8,235**	(387)	**688**	(1)
Balance end of year	**$ 96,248**	$ 80,867	**$ 12,143**	$ 10,800
Plan assets				
Fair value at beginning of year	**$ 105,322**	$ 97,524	**$ —**	$ —
Actual return on plan asset	**3,234**	11,535	**—**	—
Employer contributions	**2,401**	666	**—**	—
Employee contributions	**1,185**	1,069	**—**	—
Transfer to fund employer contributions to employee money purchase plan	**(1,751)**	(1,669)	**—**	—
Benefits paid	**(2,981)**	(3,803)	**—**	—
Fair value at end of year	**$ 107,410**	$ 105,322	**$ —**	$ —
Funded status - plan surplus (deficit)	**$ 11,162**	$ 24,455	**$ (12,143)**	$ (10,800)
Unamortized net actuarial loss (gain)	**8,079**	(4,741)	**742**	34
Unamortized past service cost	**—**	—	**—**	—
Unamortized transitional obligation (asset)	**(6,864)**	(7,392)	**6,980**	7,665
Accrued benefit asset (liability)	**$ 12,377**	$ 12,322	**$ (4,421)**	$ (3,101)
Net pension expense (income)				
Current service cost	**$ 3,240**	$ 2,521	**$ 406**	$ 463
Interest cost	**5,702**	5,292	**753**	716
Expected return on plan assets	**(7,819)**	(7,182)	**—**	—
Amortization of past service cost	**—**	—	**—**	—
Amortization of net actuarial loss	**—**	—	**—**	—
Amortization of transitional obligation (asset)	**(528)**	(528)	**685**	685
Net benefit expense	**$ 595**	$ 103	**$ 1,844**	$ 1,864

(all dollar figures expressed in thousands)

The following weighted average assumptions were used in actuarial calculations:

- Discount rate of 6.4% (2000 - 6.8%) for pension benefits and 6.9% (2000 - 7.0%) for other benefits;
- Expected long term rate of return on plan assets of 7.5% (2000 - 7.6%) for pension benefits;
- Salary escalation of 5.0% (2000 - 5.0%) for pension benefits;
- Health care cost escalation of 4.3% (2000 - 4.3%) for other benefits.

The liability portion of the net accrued pension benefit asset is included in Other liabilities. The Company and its subsidiaries also maintain money purchase staff pension plans available to employees. Pension expense relating to these plans was $1,751 (2000 - $1,755).

14. Segmented information

In managing its investments, the Company distinguishes between its portfolio investments, its investment in general insurance (Dominion) and its investment in life insurance (Empire).

	2001			
	Portfolio Investments	Dominion	Empire	Total
Premiums	$ —	$ 625,500	$ 341,326	$ 966,826
Amortization of realized and unrealized investment gains	—	—	33,850	33,850
Gain on sale of investments	19,062	40,581	—	59,643
Investment and other income	22,992	60,242	163,435	246,669
Taxes	29,111	45,321	19,490	93,922
Policyholders' and minority shareholders' portion of income	—	—	9,863	9,863
Segment net operating income	11,386	36,453	29,641	77,480
Segment invested assets	631,022	1,420,131	2,473,672	4,524,825

	2000			
	Portfolio Investments	Dominion	Empire	Total
Premiums	$ —	$ 593,871	$ 324,194	$ 918,065
Amortization of realized and unrealized investment gains	—	—	38,126	38,126
Gain on sale of investments	4,676	53,362	—	58,038
Investment and other income	18,150	57,787	177,023	252,960
Taxes	12,593	39,377	32,038	84,008
Policyholders' and minority shareholders' portion of income	—	—	12,918	12,918
Segment net operating income	8,642	32,675	32,072	73,389
Segment invested assets	565,255	1,345,856	2,469,240	4,380,351

(all dollar figures expressed in thousands)

15. Lease commitments

Future minimum payments under operating leases and other commitments are as follows:

2002	$ 10,162
2003	6,975
2004	4,450
2005	2,131
2006	1,546
Thereafter	725
	$ 25,989

16. Risk factors and their management

The Company and its subsidiaries, Dominion and Empire, face various risk factors, inherent in their activities, including risk factors peculiar to insurance operations. These risk factors and their management are described below.

Credit risk, interest rate risk and liquidity risk

The management of investments is conducted in accordance with investment policies that are approved by the Board of Directors. Management's application of these policies is regularly monitored by Board committees. Management and Board committees review credit quality of investment purchases and also monitor the credit quality of invested assets, over time.

The management of investments is key to matching policy liabilities and earning an appropriate return on investments matched to equity.

Dominion's executives manage liquidity relative to the anticipated pay-out patterns of general insurance claims and, within those constraints, aim to maximize investment income.

Empire's financial, actuarial and investment executives meet regularly throughout each year to monitor the matching of investments to policy liabilities. This process is designed to ensure that interest rate and liquidity risks are managed appropriately. This matching is particularly important relative to investment products, such as annuities.

Pricing risk

Dominion and Empire price their products with the intention of achieving appropriate profitability in the face of obligations that are uncertain due to a number of factors, including the prospect that they may take many years to mature.

Dominion faces uncertainties involving claims frequency and severity, claims payment trends, investment returns as well as potential changes in legislation and in the interpretation of liability by the courts. Empire faces uncertainties involving mortality, investment returns, expense levels and lapsing of policies.

Product pricing is established through consideration of the companies' actuarial assessment of current claims exposures and anticipated trends in the risk factors described above.

(all dollar figures expressed in thousands)

In addition, Dominion and Empire establish policies regarding the amount of risks underwritten which they are prepared to retain, taking into consideration the risk to their available equity. Amounts in excess of that retention are reinsured with external reinsurers.

Business risks

The Company faces a broad range of business risks including: market risks; internal control risks; consumer risks related to sales practices; distribution risks; ongoing strong competition in the insurance marketplace; regulatory constraints on automobile insurance pricing; and various forms of litigation.

The Company and its Board of Directors monitor risks on an ongoing basis, requiring regular reports from management on all key developments and on how planning and other control procedures are being applied to identify and minimize such risks.

To date the Company has not experienced any material adverse effects from such business risks and believes its control procedures will minimize the exposure to such risks in the future.

17. Derivative financial instruments

In the ordinary course of business, as part of an asset-liability management program, the life insurance operation uses various call options, futures contracts and foreign currency forward contracts to match policy obligations that vary with a variety of indices. In addition, the life insurance operation uses futures contracts and foreign currency forward contracts to partially match Shareholders' and Policyholders' equity. The notional amounts of these financial instruments are not recognized in the financial statements.

	Notional Amount	Fair Value
Equity index options	$ 550	$ 162
Equity index futures	$ 108,830	$ 1,767
Foreign currency forwards	$ 40,146	$ 118

Futures and foreign currency forward contracts mature in less than one year. Options mature in one to two years.

Fair value represents the estimated cost of replacing all contracts with a positive value at current quoted market prices, net of those in a negative position.

In the Company's opinion, these positions, which are actively monitored, do not represent any unusual risk and no significant losses are anticipated.

18. Insurance policy block acquisitions

During 2000 Empire acquired a block of immediate annuity and deferred annuity policies and a block of deferred annuity policies. In connection with these transactions, Empire assumed policy liabilities of $225,748 and received an equal amount of cash.

(all dollar figures expressed in thousands)

19. Cash and cash equivalents

Components of cash and cash equivalents for purposes of the statement of cash flows are as follows.

	2001	2000
Cash and cash equivalents	$ 189,245	$ 207,918
Bank indebtedness	(21,403)	(19,302)
	$ 167,842	$ 188,616

Bank indebtedness is included in Other liabilities on the balance sheet.

20. Contingent liabilities

In connection with its operations, the Company and its subsidiaries are from time to time named as defendants in actions for damages and costs allegedly sustained by plaintiffs. While it is not possible to estimate the outcome of the various proceedings at this time, the Company does not believe that it will incur any material loss of expense in connection with such actions.

21. Comparative information

Certain comparative information has been reclassified to conform to the basis of presentation adopted in 2001.

Summary of Consolidated Results

(all dollar figures expressed in thousands except per share amounts)

	2001	2000	1999	1998	1997
Premium income	**$ 966,826**	$ 918,065	$ 875,594	$ 822,513	$ 805,187
Gain on sale of investments	**59,643**	58,038	20,992	25,439	118,820
Amortization of realized and unrealized investment gains	**33,850**	38,126	31,611	26,444	25,508
Investment and other income	**246,669**	252,960	257,649	244,506	197,526
Total revenues	**1,306,988**	1,267,189	1,185,846	1,118,902	1,147,041
Claims and policy benefits	**831,431**	811,833	771,982	698,507	678,051
Expenses (including commissions)	**294,292**	285,041	280,425	282,914	240,863
Taxes paid to governments	**93,922**	84,008	63,597	65,414	50,149
	87,343	86,307	69,842	72,067	177,978
Policyholders' and minority shareholders' portion of income	**9,863**	12,918	17,420	14,902	11,592
Net income	**$ 77,480**	$ 73,389	$ 52,422	$ 57,165	$ 166,386
Net income per share	**$ 20.17**	$ 19.11	$ 13.65	$ 14.88	$ 43.32
Assets					
Cash and cash equivalents	**$ 189,245**	$ 207,918	$ 283,733	$ 215,016	$ 272,961
Portfolio investments, at market	**615,067**	556,400	454,080	457,032	441,410
Investments - insurance operations	**3,188,184**	3,072,883	2,682,227	2,593,366	2,524,990
Reinsurance recoverable	**146,439**	142,774	132,227	141,457	128,885
Premiums receivable	**151,063**	140,876	128,395	116,186	113,902
Other assets	**234,827**	259,500	252,436	241,492	271,627
	4,524,825	4,380,351	3,933,098	3,764,549	3,753,775
Segregated funds	**1,860,730**	1,873,057	1,846,896	1,777,727	1,669,407
	$ 6,385,555	$ 6,253,408	$ 5,779,994	$ 5,542,276	$ 5,423,182
Liabilities					
Policy liabilities	**$ 2,846,379**	$ 2,790,435	$ 2,481,750	$ 2,420,619	$ 2,449,016
Other liabilities	**313,586**	334,377	332,911	287,471	313,275
Policyholders' and minority shareholders' equity in surplus	**113,886**	115,848	114,052	105,345	100,118
	3,273,851	3,240,660	2,928,713	2,813,435	2,862,409
Capital stock	**7,892**	7,892	7,892	7,892	7,892
Retained earnings	**915,532**	839,972	768,503	714,987	659,742
Unrealized appreciation of investments	**327,550**	291,827	227,990	228,235	223,732
	1,250,974	1,139,691	1,004,385	951,114	891,366
	4,524,825	4,380,351	3,933,098	3,764,549	3,753,775
Segregated funds	**1,860,730**	1,873,057	1,846,896	1,777,727	1,669,407
	$ 6,385,555	$ 6,253,408	$ 5,779,994	$ 5,542,276	$ 5,423,182

Summary of Life Insurance Operations

(all dollar figures expressed in thousands)

	2001	2000	1999	1998	1997
Premium income	**$ 341,326**	$ 324,194	$ 320,932	$ 280,641	$ 259,716
Amortization of realized and unrealized investment gains	**33,850**	38,126	31,611	26,444	25,508
Investment and other income	**163,435**	177,023	185,402	168,181	124,461
	538,611	539,343	537,945	475,266	409,685
Policy benefits	**360,668**	351,752	357,248	307,307	291,078
Expenses and commissions	**118,949**	110,563	105,056	104,971	76,604
Taxes	**19,490**	32,038	26,943	21,766	427
Profits allocated to policyholders	**2,073**	4,426	8,904	7,954	3,700
Profits to minority shareholders	**7,790**	8,492	8,516	6,948	7,892
Net contribution to E-L	**$ 29,641**	$ 32,072	$ 31,278	$ 26,320	$ 29,984
Premium income by line					
Individual:					
Insurance	**$ 146,256**	$ 158,001	$ 159,835	$ 145,793	$ 80,848
Annuities	**68,991**	65,583	88,684	75,285	117,667
Health	**3,606**	2,956	1,946	1,584	1,262
	218,853	226,540	250,465	222,662	199,777
Group:					
Insurance	**11,497**	9,350	7,368	6,597	6,812
Annuities	**1,872**	3,394	4,445	2,543	5,013
Health	**109,104**	84,910	58,654	48,839	48,114
	122,473	97,654	70,467	57,979	59,939
	$ 341,326	$ 324,194	$ 320,932	$ 280,641	$ 259,716
Assets, including segregated funds	**$ 4,264,338**	$ 4,266,224	$ 3,957,868	$ 3,791,291	$ 3,732,787

Summary of General Insurance Operations

(all dollar figures expressed in thousands)

	2001	2000	1999	1998	1997
Premium income	**$ 625,500**	$ 593,871	$ 554,662	$ 541,872	$ 545,471
Other income	**8,120**	7,637	7,042	6,399	6,442
Claims	**470,763**	460,081	414,734	391,200	386,973
Operating expenditures including commissions and premium taxes	**194,755**	192,789	192,345	194,546	180,758
Underwriting loss	**(31,898)**	(51,362)	(45,375)	(37,475)	(15,818)
Gain on sale of investments	**40,581**	53,362	16,630	16,840	41,947
Investment income	**52,122**	50,150	47,651	48,634	51,419
Income before taxes	**60,805**	52,150	18,906	27,999	77,548
Income taxes	**24,352**	19,475	6,649	9,794	23,059
Net contribution to E-L	**$ 36,453**	$ 32,675	$ 12,257	$ 18,205	$ 54,489
Claims ratio (to net premiums earned)	**75.3%**	77.5%	74.8%	72.2%	70.9%
Expense ratio (to net premiums earned)	**31.1%**	32.4%	34.7%	35.9%	33.2%
Combined ratio	**106.4%**	109.9%	109.5%	108.1%	104.1%
Net premiums written					
Automobile	**$ 412,302**	$ 394,493	$ 368,000	$ 340,016	$ 347,123
Property	**190,027**	181,230	174,879	171,884	167,461
Casualty	**39,898**	36,587	33,775	30,999	29,887
	$ 642,227	$ 612,310	$ 576,654	$ 542,899	$ 544,471
Assets	**$ 1,420,186**	$ 1,345,911	$ 1,247,598	$ 1,178,303	$ 1,127,594

Summary of Financial Progress Since the Company's Inception

(all dollar figures expressed in thousands except per share amounts)

Year Ending December 31	Total Assets	Net Premiums	Total Revenues	Shareholders Equity	Net Income	Net Income Per Share
1969	$ 161,787	$ 41,256	$ 49,966	$ 21,447	$ 2,032	$ .61
1970	178,204	48,024	57,637	24,656	2,607	.78
1971	192,863	52,386	62,985	27,007	2,504	.75
1972	212,319	57,570	69,404	30,824	4,352	1.31
1973	234,926	67,732	81,221	34,707	4,278	1.28
1974	257,732	76,487	92,117	37,155	2,118	.63
1975	282,000	88,314	105,793	39,741	2,990	.89
1976	323,131	111,484	131,560	45,824	6,375	1.91
1977	376,428	134,419	158,446	55,047	9,970	2.99
1978	450,606	150,607	179,995	70,323	7,252	2.18
1979	487,206	147,330	181,869	82,604	13,084	3.41
1980	536,926	164,708	204,357	97,422	11,300	2.94
1981	585,110	195,967	242,631	92,162	(1,860)	(.48)
1982	630,645	218,042	273,265	100,691	8,662	2.25
1983	706,425	219,067	281,979	129,134	28,464	7.41
1984	777,270	230,445	300,345	150,766	26,954	7.02
1985	1,118,141	356,232	441,180	140,111	(9,671)	(2.52)
1986	1,400,171	435,795	537,969	154,593	18,436	4.80
1987	1,545,769	480,742	602,617	187,455	21,846	5.69
1988	1,666,086	477,787	610,928	222,944	36,097	9.40
1989	1,832,250	547,353	696,924	256,575	40,258	10.48
1990	1,928,160	568,217	727,841	255,463	7,208	1.88
1991	2,341,396	667,477	820,109	276,464	31,725	8.26
1992	2,783,297	737,292	933,083	322,706	18,700	4.87
1993	2,944,319	706,822	914,718	362,925	41,619	10.84
1994	3,029,425	637,915	812,062	402,734	41,055	10.69
1995	3,052,601	723,330	900,179	443,953	43,555	11.34
1996	3,598,443	766,606	964,533	498,320	57,814	15.05
1997	5,130,087	805,187	1,135,463	667,634	166,386	43.32
1998	5,522,285	822,513	1,109,457	951,114	57,165	14.88
1999	5,756,343	875,594	1,185,846	1,001,548	52,599	13.70
2000	6,253,408	918,065	1,267,189	1,139,691	73,389	19.11
2001	6,385,555	966,826	1,306,988	1,250,974	77,480	20.17

This chart is drawn from the individual annual reports and therefore has not been restated for any subsequent changes in accounting policies.

Note:

1985 - The Canadian Indemnity Company was acquired

1986 - Montreal Life Insurance Company was acquired

1991 - Canadian operations of SAFECO Corporation were acquired

1997 - Concordia Life Insurance Company was acquired

- Investment in National Trustco Inc. was sold

1998 - E-L Financial's portfolio investments were recorded at market value versus cost basis

The
DOMINION OF CANADA
General Insurance Company

Corporate Management

President and
Chief Executive Officer
GEORGE L. COOKE

Vice-President and
Chief Information Officer
JANET E. BABCOCK

Vice-President
and Chief Actuary
NATHALIE BÉGIN

Vice-President
Legal and Public Affairs and Corporate Secretary
VIVIAN BERCOVICI

Vice-President Claims
JERRY DALLA CORTE

Vice-President
Field Operations
ALAN J. HANKS

Vice-President
and Chief Financial Officer
R. DOUG HOGAN

Vice-President, Special Claims
LORNE D. McCUBBIN

Vice-President
Human Resources
SHELLY A. RAE

THE EMPIRE LIFE INSURANCE COMPANY

Corporate Management

President and
Chief Executive Officer
DOUGLAS G. HOGEBOOM

Vice-President
Individual Sales and Distribution
LESLIE C. HERR

Vice-President
Employee Benefits
JAKE J. HILBERDINK

Vice-President
Corporate Development
BRENDAN M. McCORMICK

Vice-President
Customer Relationship Management
WENDY R. M. MERKLEY

Vice-President
Individual Marketing and Business Development
STEVE S. PONG

Vice-President
Organizational Development
RUTH A. RAPPINI

Vice-President
Financial Management
MICHAEL C. SCHNEIDER